AHWATUKEE FOOTHILLS NEWS

No Good Reason Not To Convert To A Roth Ira

March 2, 2022 by Dr. Harold Wong

My February 02, 2022 Ahwatukee Foothills News article was titled "Traditional IRAs can be a Tax Time Bomb!" The more your traditional IRA or 401k grows, the more the eventual tax, either through Required Minimum Distributions (RMDs) that start at age 72; OR whenever you withdraw money to enjoy. It's all taxed as ordinary income because it's really deferred wages. The only way to avoid this ticking tax time bomb is the Roth IRA Conversion.

The first major benefit to a Roth IRA Conversion is that no matter how much you earn, there is NO TAX for the rest of your life; your spouse's life; and the first 10 years your heirs (typically kids) inherit the Roth IRA. For earnings to be tax-free, you must be at least age 59.5 when you withdraw earnings and it must have been at least five years since you started your first Roth IRA. The second major benefit is that there is NO RMDs with a Roth IRA. Unlike with a traditional IRA or 401k, the government cannot tell you to distribute an increasing RMD each year that is fully taxable.

Over the last 12 years thousands have attended my free seminars. Only 2% have $30,000 or more in a Roth IRA. The first reason is they want to reduce each year's taxable income by the annual contribution to a traditional IRA or 401k. The second reason is they can't stomach the high tax that results from converting $200,000-$1 million+ to a Roth IRA, which increases taxable income by that much.

However, what if there was a way to eliminate 100% of the federal tax that resulted from a Roth IRA Conversion? The most powerful way to reduce tax on high taxable income (whether generated by high wages or profits; selling stock or real estate; or doing big Roth IRA Conversions) is buying and leasing out solar business equipment. On a $65,000 solar deal, the 26% federal solar tax credit and Section 179 (which allows one to deduct 87% of the $65,000 cost of the equipment in the year it's "placed in service") is enough to offset ALL the federal tax on the first $170,000 of federal taxable income for a couple filing married, joint return.

A common misconception is that a Roth IRA Conversion does not make sense if one is older. Case Study: Dave is a widower age 85. He was scammed over $3 million by a Wall Street investment firm. He still has $1 million financial assets, including $335,000 in a traditional IRA. His #1 priority is to leave assets to his three kids. His youngest child is a son that can average at least a 20% annual return in real estate investing. Dave should immediately convert the entire $335,000 to a Roth IRA. In 17 years, assuming Dave lives until 92 and then the kids enjoy 10 years of tax-free growth after inheriting the Roth IRA, it will become a total of $7.5 million tax-free. Split equally between the three kids, each will have $2.5 million tax-free. The Roth IRA Conversion allows Dave to leave more than he thought possible to the kids, even after being scammed $3 million+ by Wall Street. You're never too old to do a Roth IRA Conversion. You need earned income to make an annual contribution to an IRA, but NO earnings are required to do a Roth IRA Conversion.

Free Live Seminar and Lunch: Saturday 3/26/2022 at Hyatt Place, 3535 W. Chandler Blvd. Chandler, AZ 85226, with seminar starting at 10 am and Free Lunch at 12:15 pm catered by La Madeleine French Café. Topic is "Roth IRA Conversions: Tax-Free at Any Age!"

To RSVP for the seminar or schedule a free consultation, please contact Dr. Harold Wong at (480) 706-0177 or harold_wong@hotmail.com. His website is www.drharoldwong.com.

Free Information on Retirement Planning, Solar Business Investments, and Tax Savings can be found at www.drharoldwong.com or www.solarbusinessinvestments.com.

To schedule your Free Consultation Contact Dr. Harold Wong at (480) 706-0177 or harold_wong@hotmail.com to RSVP.

Dr. Harold Wong earned his Ph.D. in Economics at the University of California/Berkeley and has appeared on over 400 TV/Radio programs.